

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 COME-00 STR-07 ITC-01
CAB-02 CIAE-00 DODE-00 DOTE-00 INR-10 NSAE-00
FAA-00 L-03 TRSE-00 FTC-01 JUSE-00 SIL-01 LAB-04
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R 161201Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 7230
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY MADRID
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION USNATO

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BRUSSELS PASS FAA
BRUSSELS ALSO FOR USEEC
PARIS ALSO FOR USOECD

E. O. 11652: N/A
TAGS: EAIR, UK
SUBJECT: CONGRESSMAN VANIK'S INTEREST IN EASTERN
CONTRACT TO PURCHASE AIRBUS

REF: (A) STATE 141766 (NOTAL); (B) STATE 143073 (NOTAL);
(C) LONDON 5560 (NOTAL); (D) LONDON 7810

1. IN CONSIDERING MATTERS RAISED REFTELS A AND B,
DEPARTMENT MAY WISH TO REFER TO LONDON REFTELS C AND
D WHICH CONTAIN INFORMATION ON FACTORS INVOLVED IN
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U.K. FINANCING OF PANAM PURCHASE OF LOCKHEED TRISTAR
AIRCRAFT WITH ROLLS-ROYCE ENGINES AND IN FUTURE U.K.
DECISION ON PURCHASE OF BOEING 737 AIRCRAFT BY
BRITISH AIRWAYS.

2. EMBASSY CONTINUES TO SEEK OCCASIONS TO REITERATE
CONCERNS EXPRESSED REFTEL B. MOST RECENTLY ECONOMIC

MINISTER TOOK OPPORTUNITY OF MEETING INITIATED BY DEPARTMENT OF TRADE'S PERMANENT SECRETARY (REPORTED SEPTTEL) TO REMIND HIM PERSONALLY THAT NON-COMMERCIAL DECISIONS REGARDING AIRCRAFT PURCHASES AND MANUFACTURING ARRANGEMENTS COULD NOT FAIL TO STRENGTHEN OPPOSITION IN THE U.S. TO FOREIGN GOVERNMENT-SUPPORTED SALES OF FOREIGN AVIATION EQUIPMENT TO U.S. BUYERS. PERMANENT SECRETARY (PLIATZKY) RESPONDED THAT HIS GOVERNMENT TOO FACES POLITICAL PRESSURES IT MUST CONSIDER. ON OTHER HAND, HE SAID, BRITISH AIRWAYS HAS INDICATED IT WILL BUY NO AIRCRAFT IN PLACE OF THE BOEING 737'S IT WANTS IF PERMISSION TO BUY THEM IS DENIED. (PLIATZKY SAID THERE IS SOME PRESSURE, RESULTING FROM BA'S URGENT NEED FOR THE PLANES AND BOEING'S COMMITMENT OF FUTURE PRODUCTION, FOR A DECISION ON THIS ISSUE BY THE END OF JUNE, BUT HE WAS UNSURE WHETHER OR NOT THAT DEADLINE WOULD BE MET.)

3. PLIATZKY MADE A POINT OF EXPLAINING THAT WHATEVER HAPPENS TO THE BA REQUEST FOR NINETEEN 737'S, BA WILL PROBABLY BUY SOME BAC-111'S FOR ITS THINNER ROUTES. ECONMIN NOTED ONCE AGAIN THAT U.S. CONCERN IS THAT DECISIONS BE MADE ON COMMERCIAL RATHER THAN POLITICAL GROUNDS.

4. WITH REGARD TO REF A REQUEST FOR INFORMATION ON LIMITED OFFICIAL USE

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AIRBUS SUBSIDIZATION, SITUATION HERE IS STRONGLY COLORED BY U.K. DECISION SOME YEARS AGO TO PULL OUT OF THE AIRBUS CONSORTIUM. ONLY REMAINING BRITISH PARTICIPATION IN THE AIRBUS WAS HAWKER-SIDDELEY PROVISION OF THE WINGS FOR THE A300 ON A SUBCONTRACTOR BASIS. WHILE HAWKER-SIDDELEY HAS SINCE BEEN NATIONALIZED AND ABSORBED INTO BRITISH AEROSPACE, THERE HAS BEEN NO GOVERNMENT SUBSIDIZATION OF THE WING PROJECT.

5. THE U.K. EXPORT FINANCE INSTITUTION, ECGD, HAS, HOWEVER, RECENTLY PROVIDED GUARANTEES FOR THE REPAYMENT AND FUNDING OF A \$37 MILLION LOAN BY MIDLAND BANK TO THE AIRBUS CONSORTIUM. THE LOAN IS TO BE USED TO HELP FINANCE THE SUPPLY OF 15 SETS OF WINGS FOR A300B PASSENGER AIRCRAFT TO BE SUPPLIED BY BRITISH AEROSPACE. THE ORDER IS THE FIRST ORDER FOR AIRBUS WINGS TO BE PLACED UNDER THE ECGD FOREIGN CURRENCY FINANCING SCHEME. THESE WINGS ARE NOT FOR THE AIRCRAFT FOR THE EASTERN AIRLINES PURCHASE, BUT WINGS FOR THOSE AIRCRAFT COULD BENEFIT FROM SIMILAR LOAN GUARANTEES.

BREWSTER

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